

*Central Intelligence Agency
Inspector General*

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SEMIANNUAL REPORT
TO THE DIRECTOR OF CENTRAL INTELLIGENCE
JULY - DECEMBER 2004

*John L. Helgerson
Inspector General*

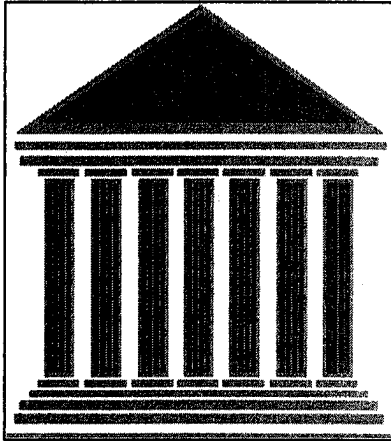
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DATE: 25-Feb-2010

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(U) ANNEX SECTION**(U) STATISTICAL OVERVIEW****(U) COMPLETED AUDITS****(U) CURRENT AUDITS****(U) COMPLETED INSPECTIONS****(U) CURRENT INSPECTIONS****(U) COMPLETED INVESTIGATIONS****(U) CURRENT INVESTIGATIONS****(U) CURRENT SPECIAL REVIEWS**

(U) A Message From the Inspector General



(U/) A notable accomplishment of the Office of Inspector General (OIG) during this reporting period was the completion of the "Independent Report of Audit: Fiscal Year 2004 Financial Statements of the Central Intelligence Agency." This was the first such audit in what will be a continuing annual series. The Accountability of Tax Dollars Act of 2002 requires that the CIA prepare and submit annual, audited financial statements to the Congress and the

Director, Office of Management and Budget (OMB). The audit report contains 26 significant recommendations. Of the 26 recommendations, 20 address material weaknesses in internal controls; four, when implemented, will bring CIA into compliance with OMB Circular No. A-11, "Preparation, Submission, and Execution of the Budget;" one would have the Agency prepare a remediation plan to address the CIA financial system's noncompliance with the Federal Financial Management Improvement Act; and one calls for the Agency to identify performance measures and improve performance reporting.

In other audit work, the Staff continues to pursue its program, requested by Congress, to audit each covert action program at least every third year. The Staff during this period completed an audit of one of the Agency's largest covert action programs and began work on three others. Field audits were completed on 12 overseas stations and bases.

(U/) OIG continues to devote significant resources and personnel to high-priority investigations relating to the war in Iraq and the war on terrorism. In support of the DCI-directed investigation of Agency detention and interrogation activities in Iraq, nearly 800 Agency employees have been contacted regarding their knowledge of these activities. Separate investigations are under way concerning allegations that Agency employees asked the US military to hold some detainees in Iraq without registration,

and the Agency's policies and practices regarding the transfer of detainees to or from Iraq. Investigations are also under way concerning the role of Agency personnel in the circumstances surrounding the deaths of two Iraqis; military personnel have been charged in the deaths and judicial proceedings are under way in both cases.

(U/[redacted]) A number of incidents of alleged detainee abuse in Iraq and Afghanistan are being examined in close collaboration with Department of Defense investigators. Potential criminal conduct is referred to the Department of Justice (DoJ) as soon as OIG has established credible information that abuse may have occurred. The trial of a former Agency contractor indicted on four felony counts of assault of a detainee, who died, is now scheduled for March 2005. This represents the first US prosecution of a civilian for abuses committed during the Afghanistan conflict. Pursuant to the Inspector General's statutory obligation to report immediately any particularly serious problems, the DCI has made a number of specific reports to the Congressional intelligence oversight committees. Additionally, the Inspector General and the Assistant Inspector General for Investigations have briefed the oversight committees concerning OIG activities in the abuse investigations.

[redacted] A special review of management practices associated with a counterterrorist covert action program was completed in May 2004. That review contained 10 significant recommendations concerning review, revalidation, or modification of the program. The then-DCI indicated his general agreement with all of the recommendations and directed that certain actions be taken. Two of the recommendations have been satisfied to date; Agency managers continue work on others.

(U/[redacted]) An investigation of a violation of the Procurement Integrity Act resulted in a civil settlement of \$80,000. In two Federal Employees' Compensation Act fraud cases, former employees entered felony pleas and restitution has been sought. Four time and attendance fraud investigations resulted in restitution being ordered ranging from \$7,000 to \$20,000 each.

[] The Inspection Staff completed inspections of four key Agency components. Two of these—the Counterproliferation Division in the Directorate of Operations (DO), and the DCI Center for Weapons Intelligence, Nonproliferation and Arms Control—deal with the critical issues of collection and analysis of intelligence on weapons of mass destruction. The other inspected components are the DCI Operations Center and the Information Services Infrastructure, which provide crucial communications support to the Agency. The Inspection Staff also completed an inspection of the DO's organization to manage its financial resources. In addition, the Staff closed four inspections, including two major DO components—the Information Operations Center and the Central Eurasia Division.

(U/[]) OIG has completed its draft of the special review, "Accountability Issues Identified in the Findings and Recommendations of the Congressional Joint Inquiry Report on 9/11." The Review Team—led by the Inspection Staff and made up of members from each of OIG's staffs—is now coordinating the draft with relevant parties within the Agency.

(U) During this reporting period, the Inspector General, jointly with the Assistant to the Secretary of Defense for Intelligence Oversight, hosted the biannual International Intelligence Review Agencies Conference. One dozen nations of North America, Asia, Africa, and Europe participate in these meetings, with the aim of identifying and sharing international best practices in intelligence oversight. Delegates include members of parliamentary oversight committees, inspectors general, and other executive branch officials responsible for the oversight of intelligence agencies. The Inspectors General of all US intelligence agencies participated.

(U/[] Deputy Inspector General [] retired at the end of 2004 after 42 years of distinguished service to the US Government. I thank him most sincerely for the great contribution he made to the OIG and the Agency. Our new Deputy Inspector General is [] a career OIG officer who most recently served for more than three years as Assistant IG for Audit.

[]
John L. Heigerson
14 January 2005

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(U) STATUTORY REQUIREMENTS

(U) This report is submitted pursuant to section 17 of the CIA Act of 1949, as amended, which requires the Inspector General to provide to the DCI, not later than 31 January and 31 July of each year, a semiannual report summarizing the activities of the OIG for the immediately preceding six-month periods, ending 31 December and 30 June, respectively.

(U) All audit activities of the OIG are carried out in accordance with generally accepted government auditing standards. All OIG inspection and investigation activities conform to standards promulgated by the President's Council on Integrity and Efficiency.

(U) The OIG has had full and direct access to all Agency information relevant to the performance of its duties.

(U) Subpoena Authority

(U/) During this reporting period, the IG did not issue any subpoenas.

(U) Legislative Proposals

(U) OIG has no proposals for legislative changes.

(U) AUDITS

(U) AUDIT STAFF OVERVIEW

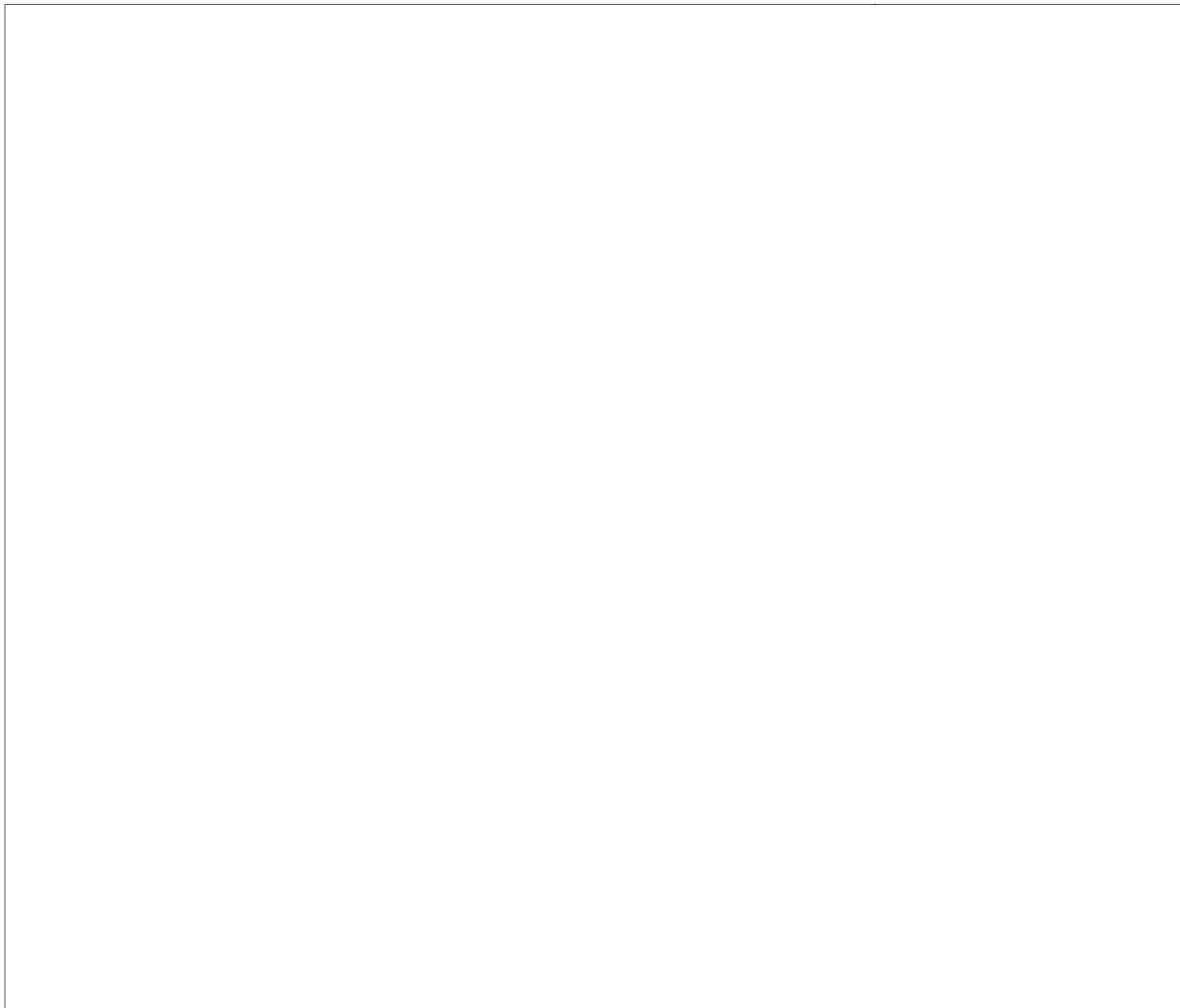
(U/) The Audit Staff conducts performance and financial statement audits of Agency programs and activities, and participates with other agencies in joint reviews of Intelligence Community programs and activities. During this period, the Audit Staff has completed 18 evaluations and audits of Agency financial management, covert action programs, field stations, and other CIA activities.

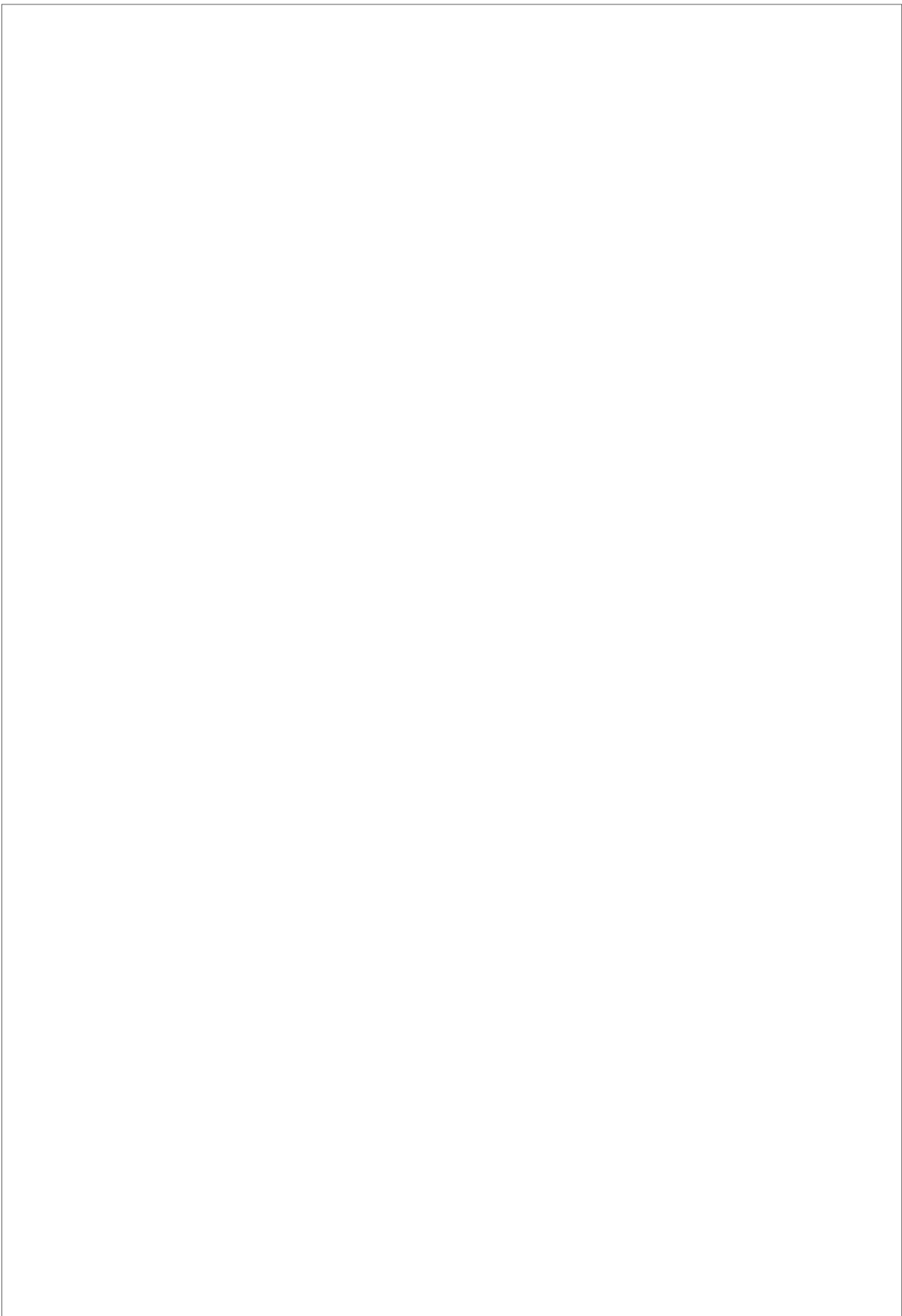
(U) The Audit Staff continues to focus on three significant issues that have been mandated either by the Congress or through statute: (1) auditing the Agency's financial statements, (2) providing continuing oversight of covert action programs, and (3) evaluating the Agency's information security program. The audit of the Agency's FY 2004 financial statements was completed on schedule in November 2004. The report contains 26 significant recommendations. The Audit Staff completed the audit of one of the Agency's largest covert action programs and began work on three others. The first independent evaluation of the Agency's information security program required by the Federal Information Security Management Act (FISMA) was completed in September 2003. Audit fieldwork has been completed for the FISMA 2004 audit. In addition, the Staff is auditing the security of national security information systems operated by Agency contractors and located at their facilities.

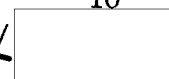
(U) During 2004, the Audit Staff's Quality Control Policies were reviewed for the calendar year 2003. Senior auditors from the Defense Intelligence Agency, the National Geospatial-Intelligence Agency, and the National Security Agency performed the review. The team issued an unqualified opinion indicating that the Staff is complying with government auditing standards.

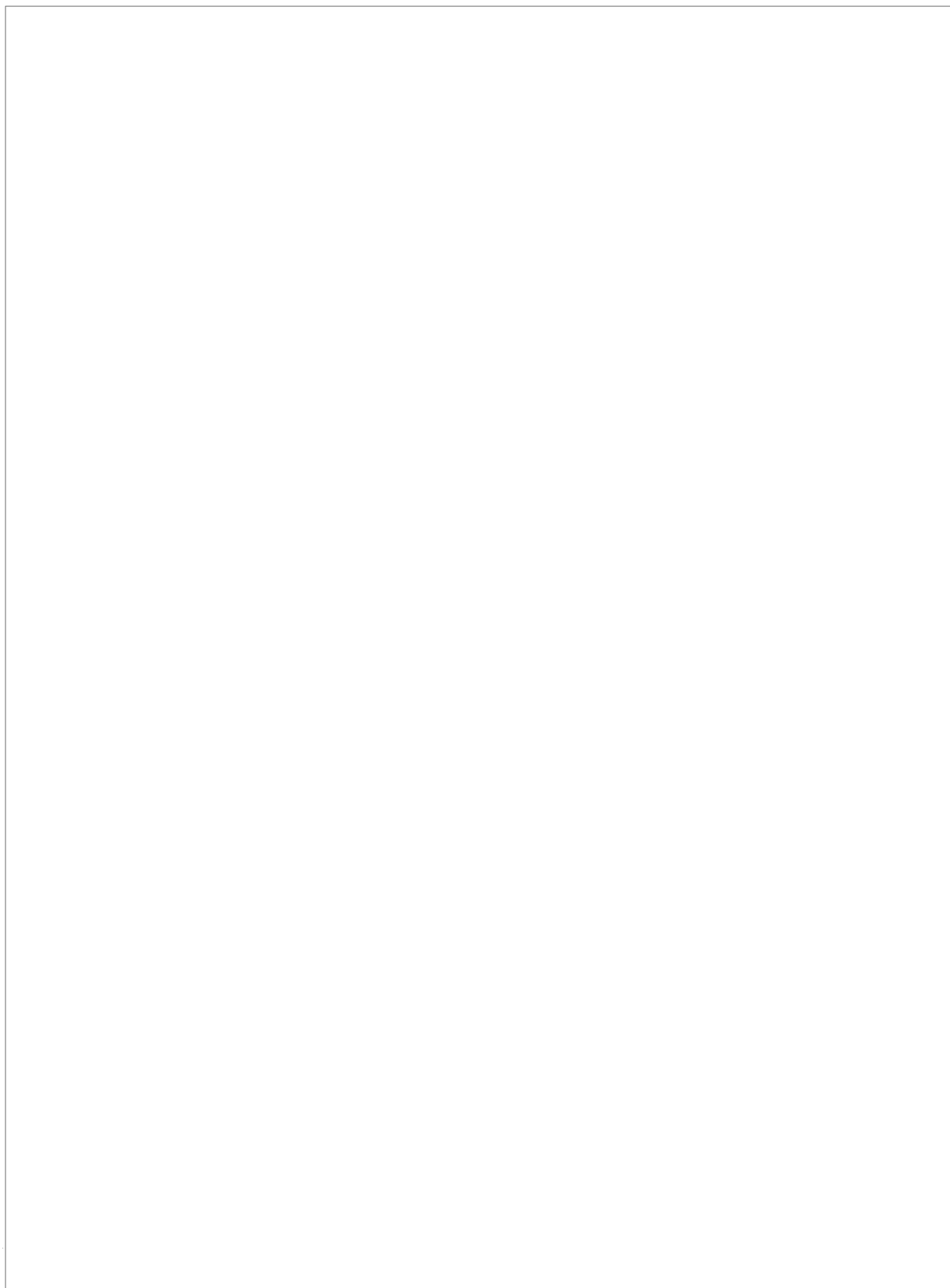
(U/ []) A robust recruiting effort over the past several years has resulted in the Audit Staff having auditors who possess a wide range of skills and experience to provide oversight of the important issues facing the Agency. The Staff continues to recruit auditors with information technology and other unique skills to ensure that it will have the needed resources to meet its audit responsibilities.

(U) SIGNIFICANT COMPLETED AUDITS

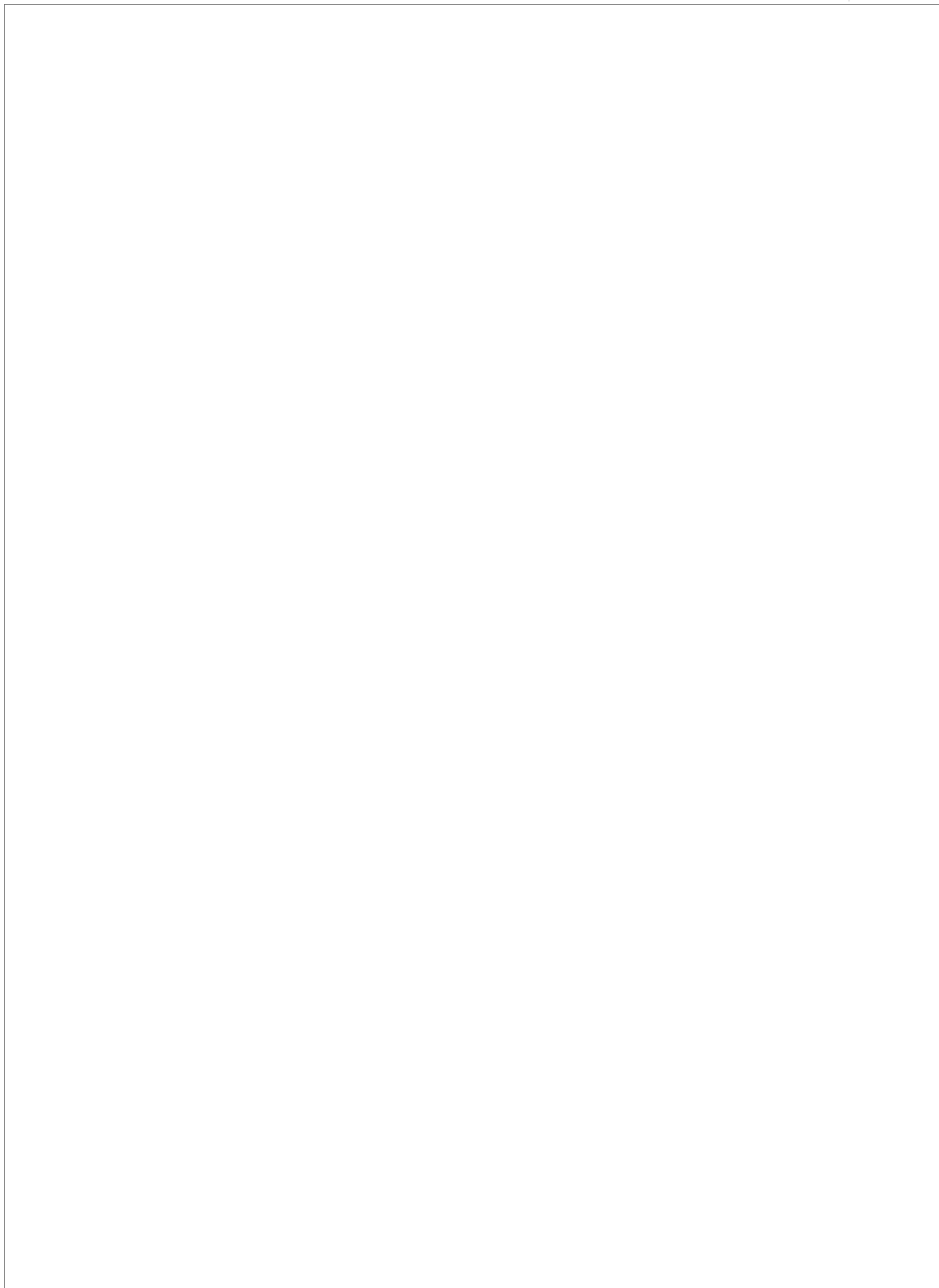


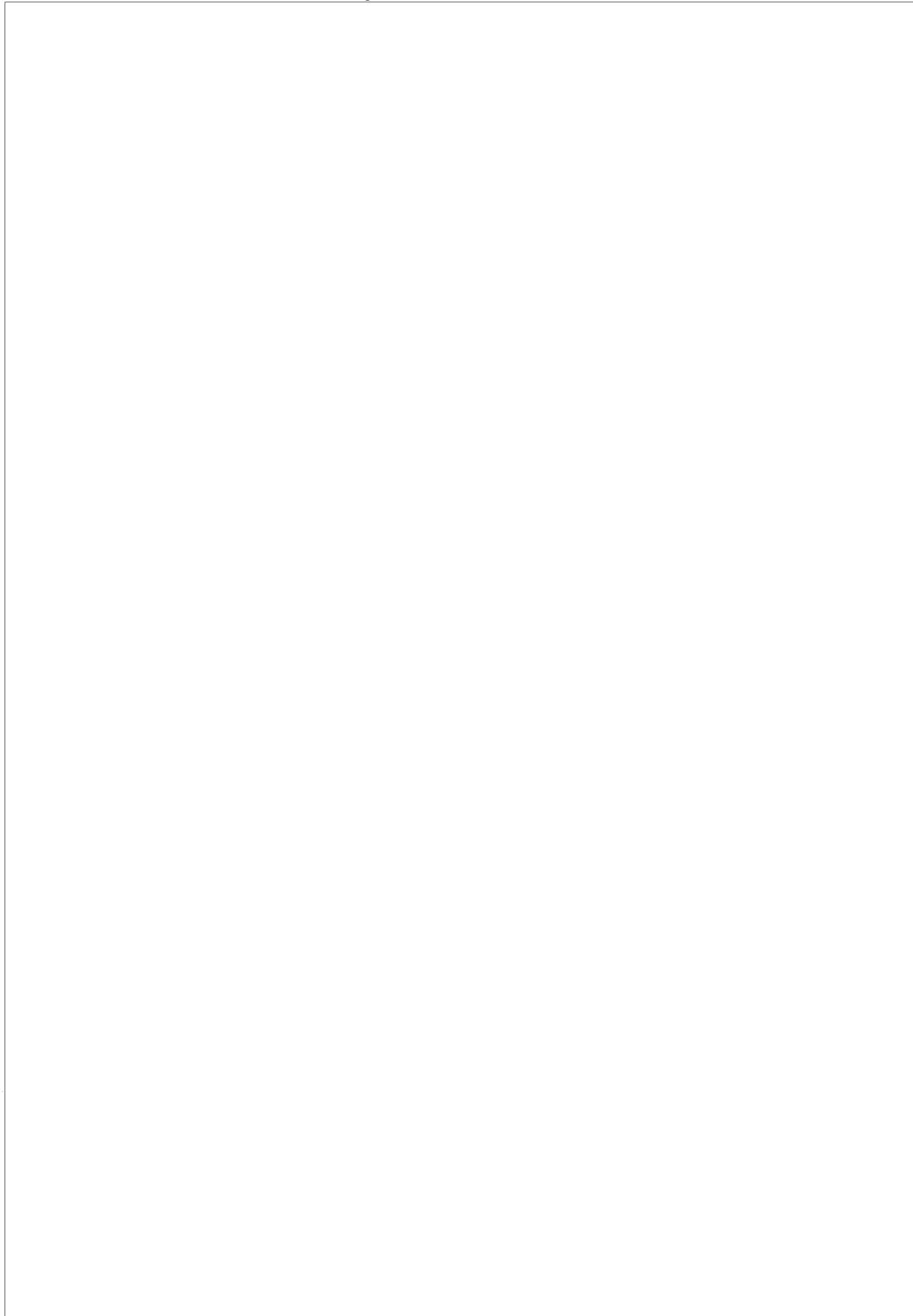








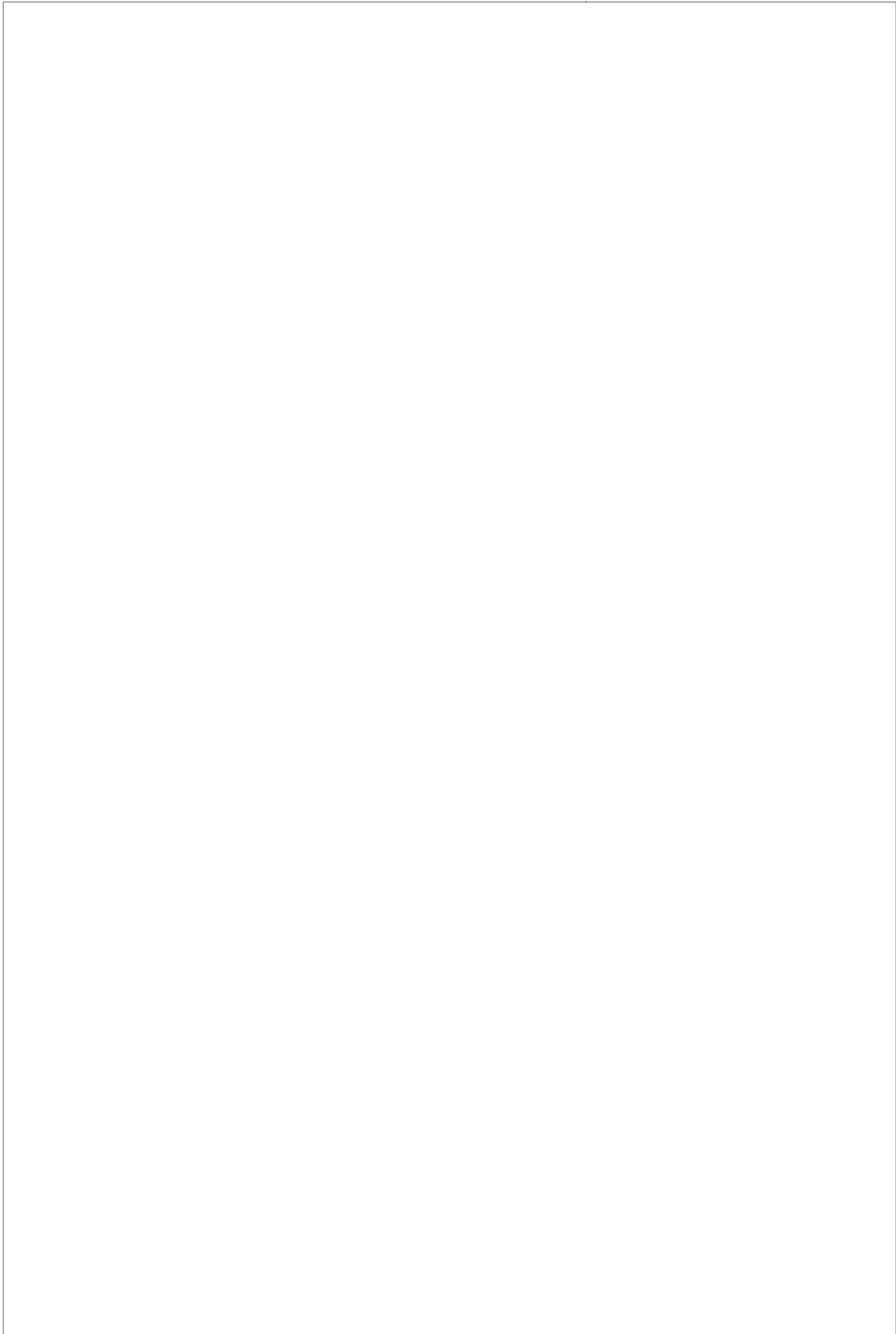


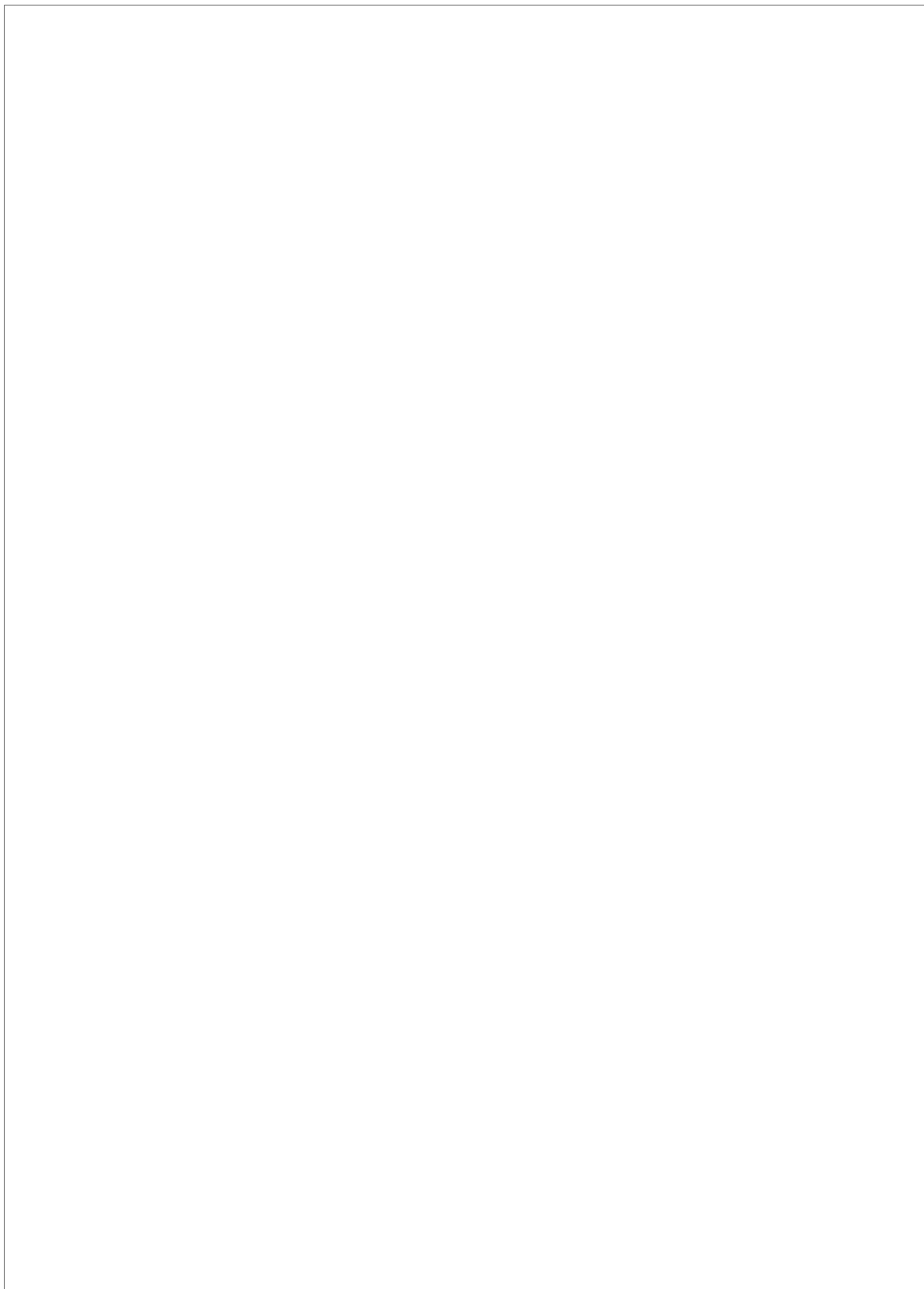


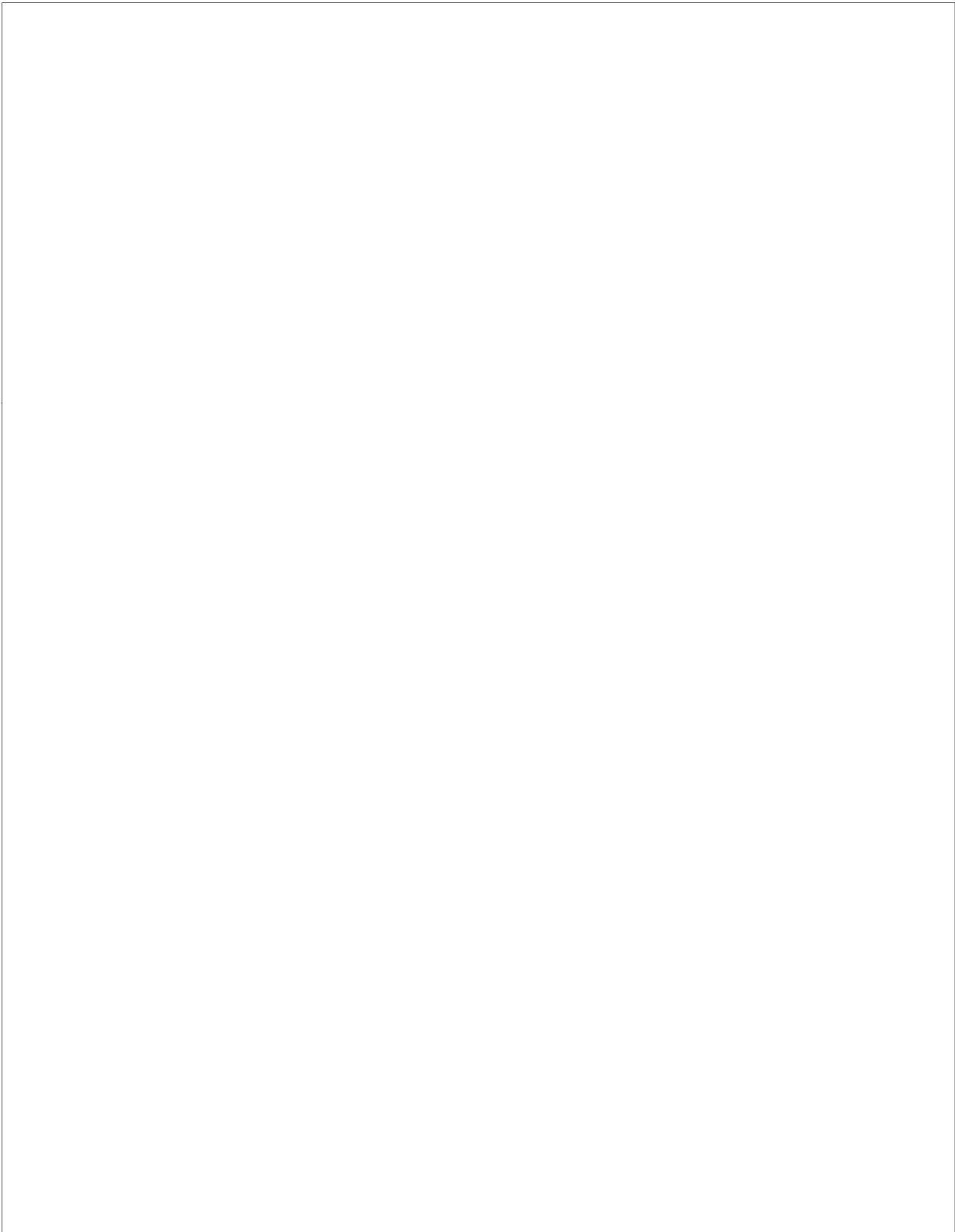








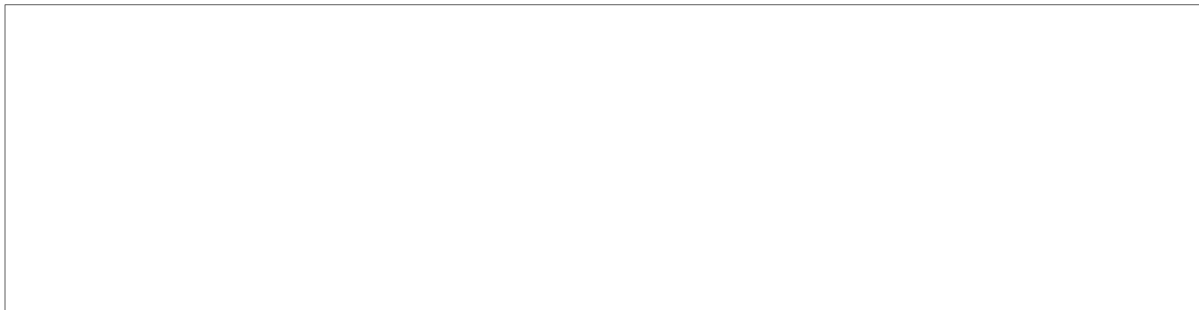


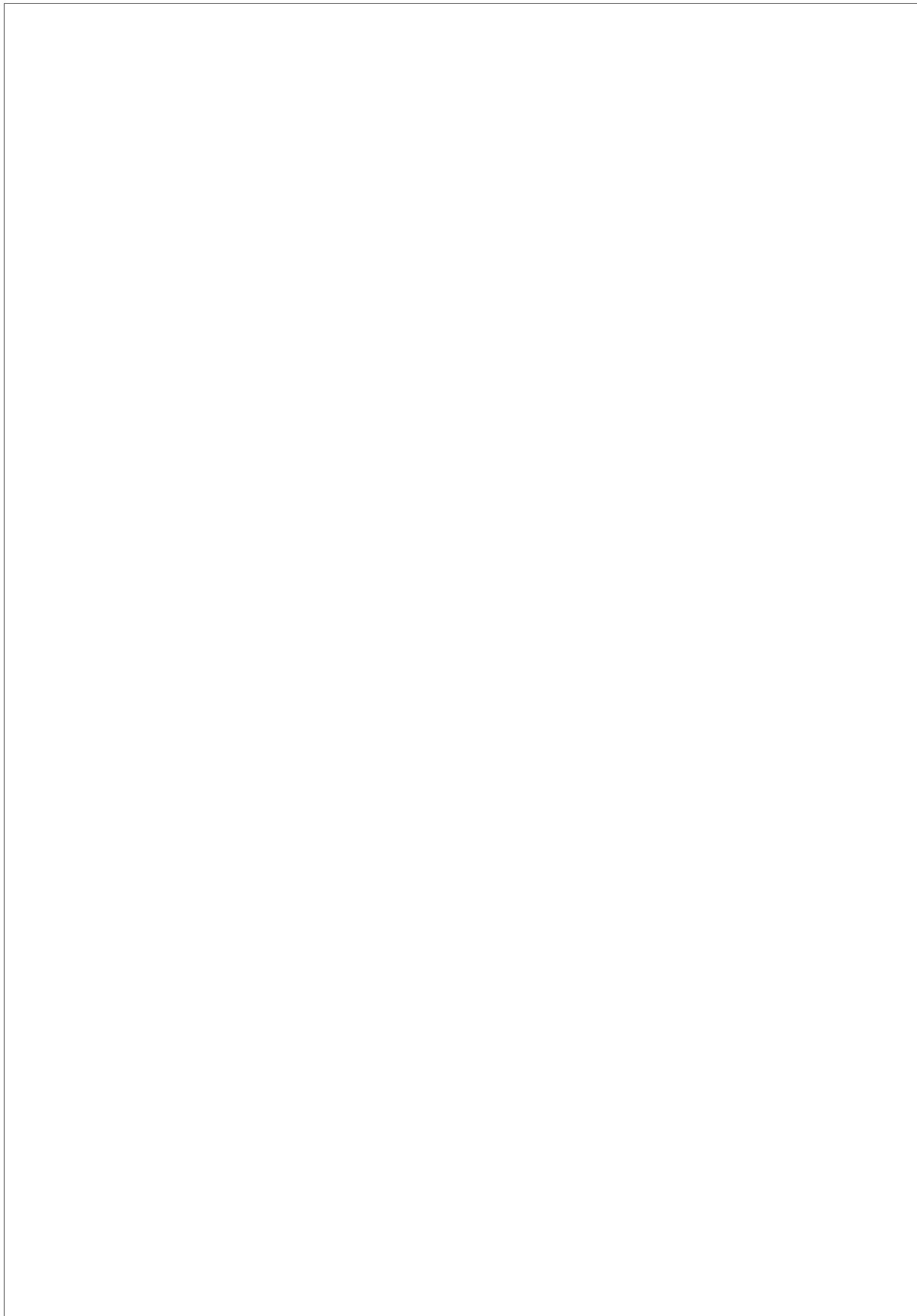


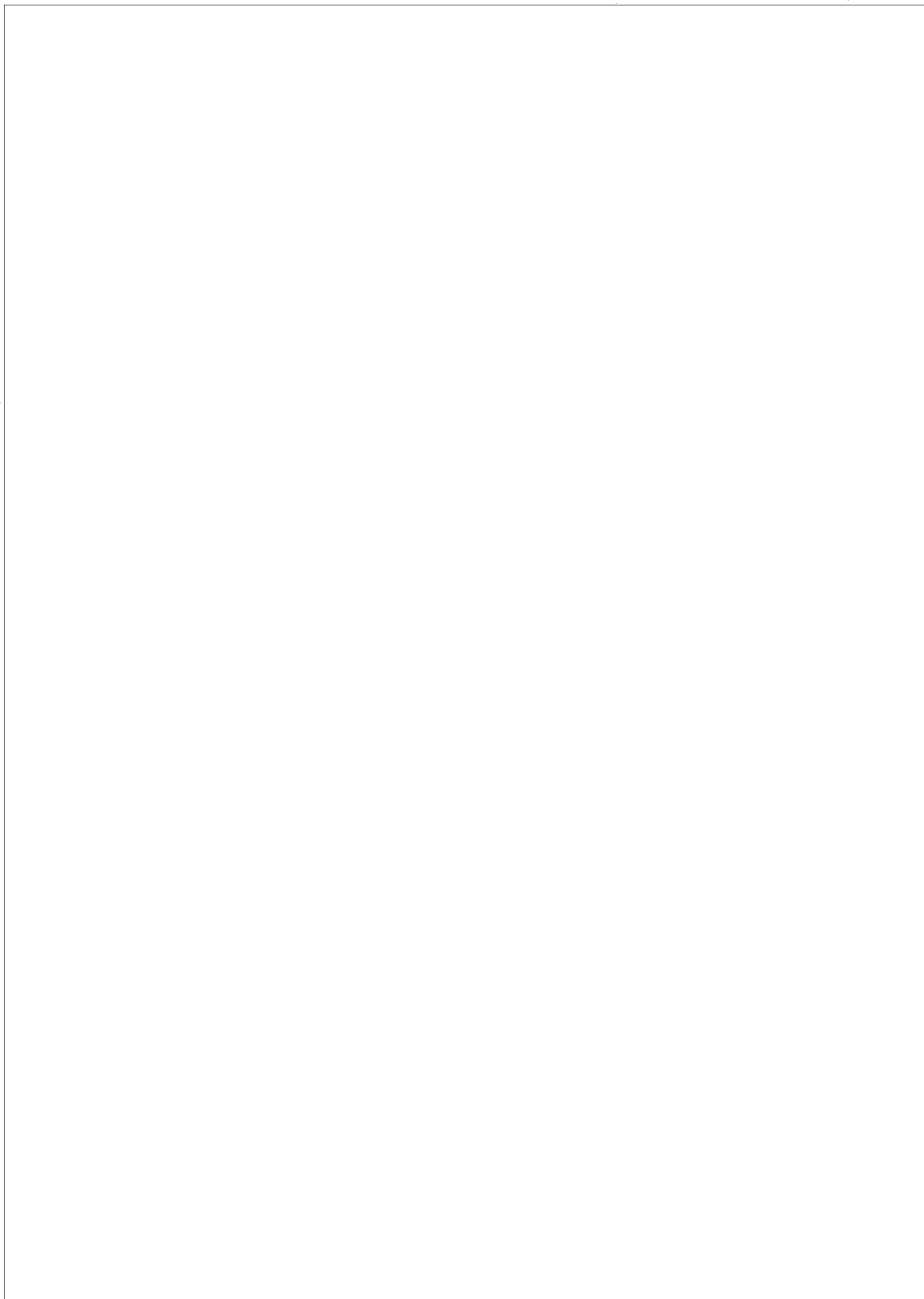


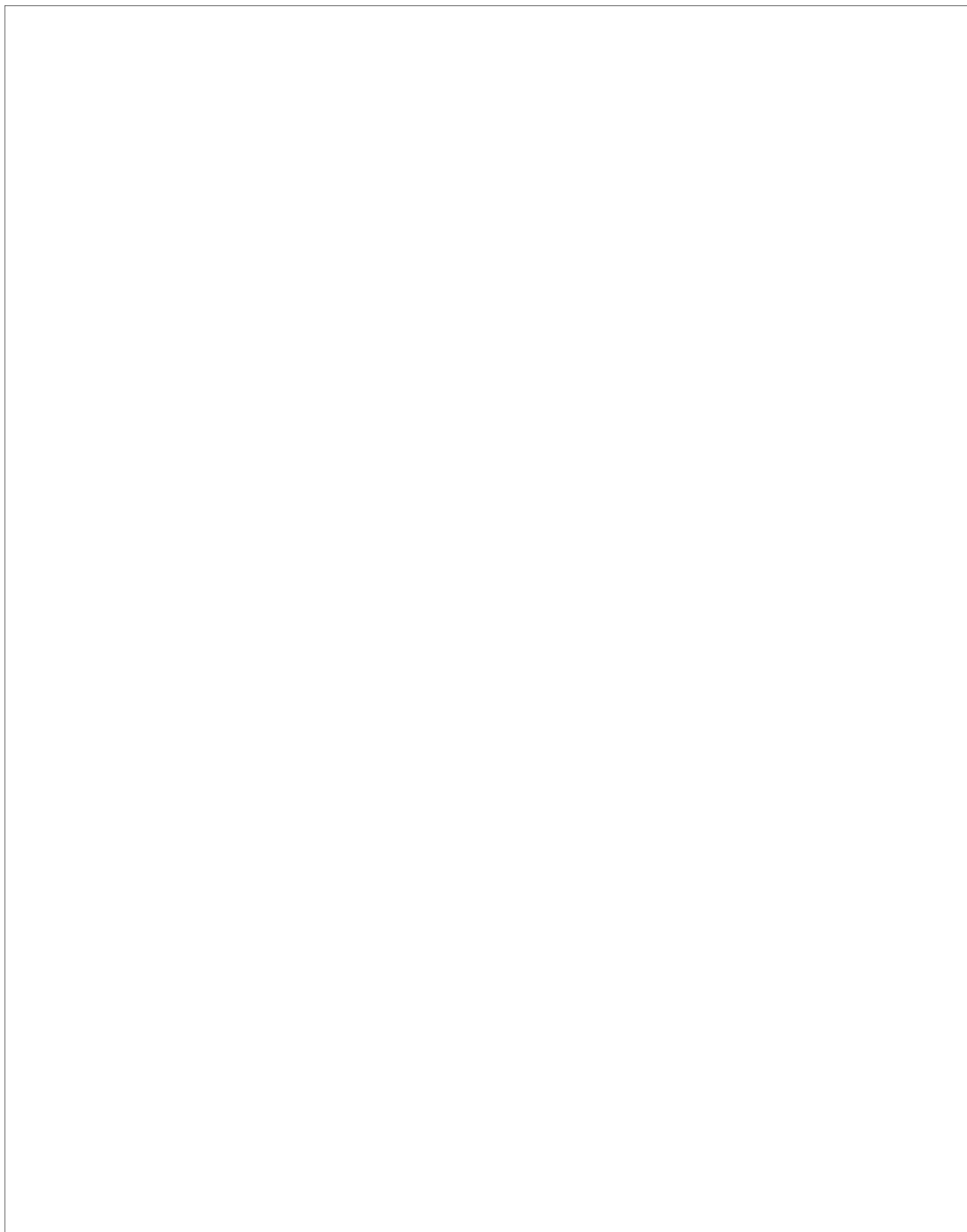


**(U) STATUS OF SIGNIFICANT RECOMMENDED ACTIONS OUTSTANDING
FROM PREVIOUS SEMIANNUAL REPORTS**













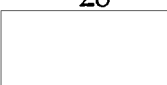
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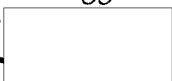
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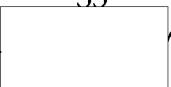
















(U) INSPECTIONS

(U) INSPECTION STAFF OVERVIEW

(U/) The Inspection Staff is responsible for conducting inspections of Agency programs and operations to evaluate their efficiency and effectiveness and their compliance with law, Executive orders, and regulations.

(U/) During the current reporting period, the Staff completed inspections of the Directorate of Operations' (DO's) Organization to Manage Its Financial Resources; the DCI Center for Weapons Intelligence, Nonproliferation, and Arms Control (WINPAC), administered in the Directorate of Intelligence (DI); the Information Services Infrastructure (ISI) in the Office of the Chief Information Officer (CIO); Management and Work-Related Issues in the DO's Counterproliferation Division (CPD); and the DCI Operations Center. The Inspection Staff also completed a follow-on survey of the Foreign Broadcast Information Service (FBIS). In addition, the Staff is nearing completion of inspections of the Office of Security (OS) and the Office of Public Affairs, continues work on one special review, and began inspections on the DCI Crime and Narcotics Center, the DO's Latin America Division, the Directorate of Science and Technology's Technical Support to DO Operations, and Retention in the Agency.

(U/) The Inspection Staff continues to conduct a two-week course for new inspectors and a seminar for team leaders before the start of each inspection cycle. The Staff also provides seminars for Office of Inspector General inspectors and research assistants during the course of each cycle, instituted in response to the increasing sophistication of the Staff's methodology. These seminars build on the New Inspectors' Training Course and address topics such as interview strategy, exploitation of databases, electronic focus group methodology, research and analysis, process mapping, drafting, and constructing sound Findings and Recommendations.

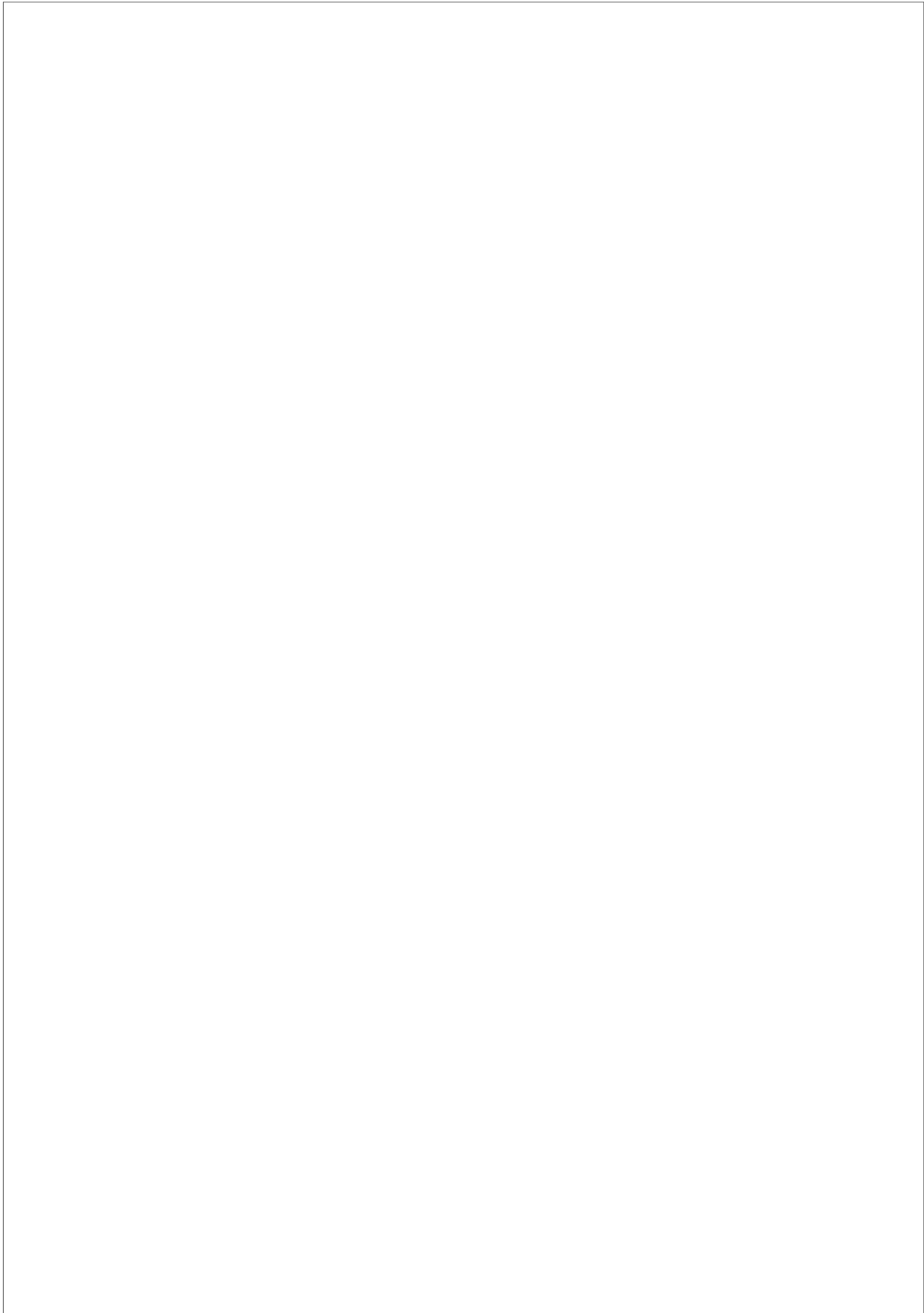
(U/) In addition, the Inspection Staff continues to utilize an independent contractor to track, monitor, and pursue compliance with recommendations. As a result, the Staff has closed four inspections that were open as of 1 July 2004.

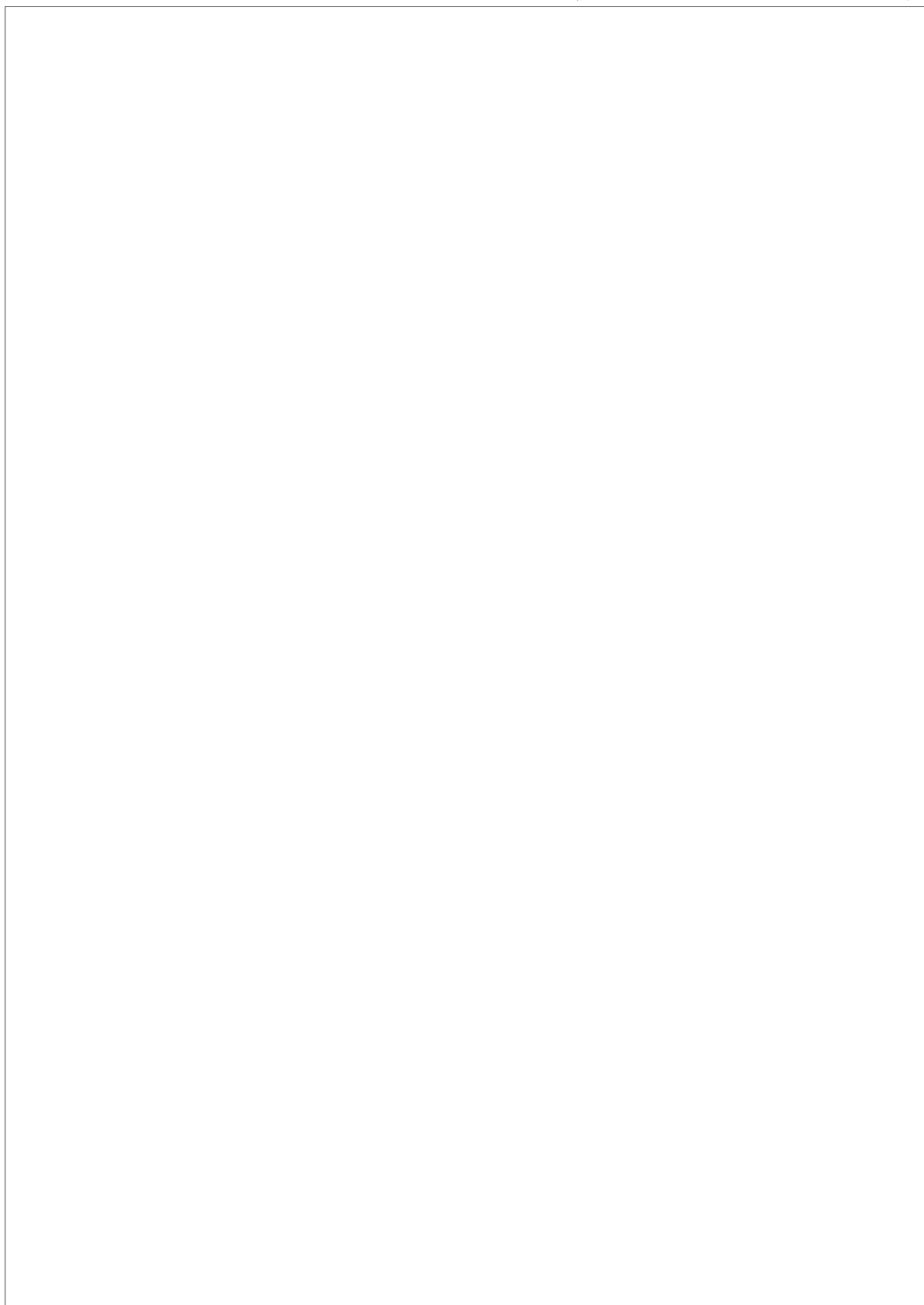
(U) SIGNIFICANT COMPLETED INSPECTIONS



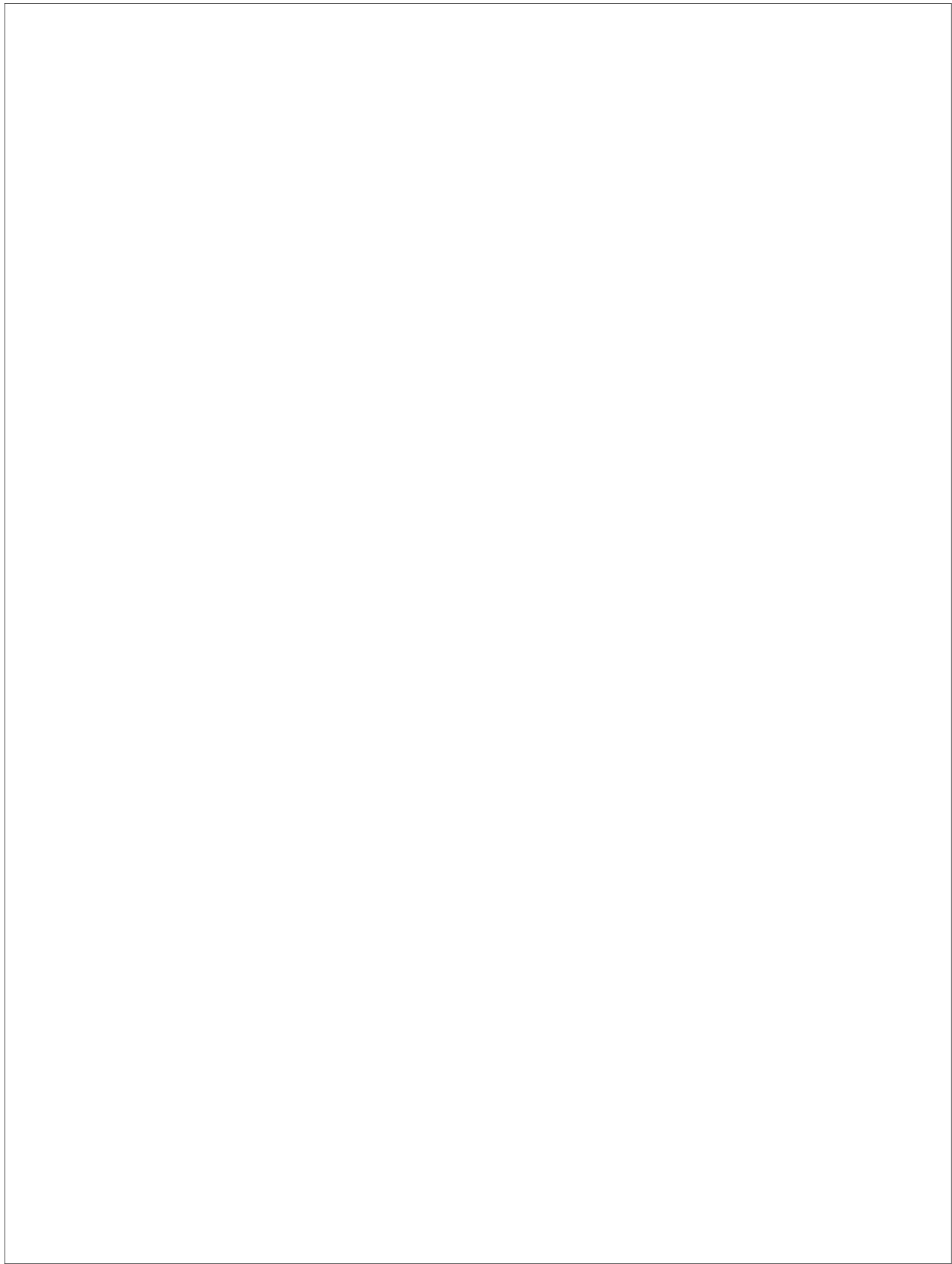












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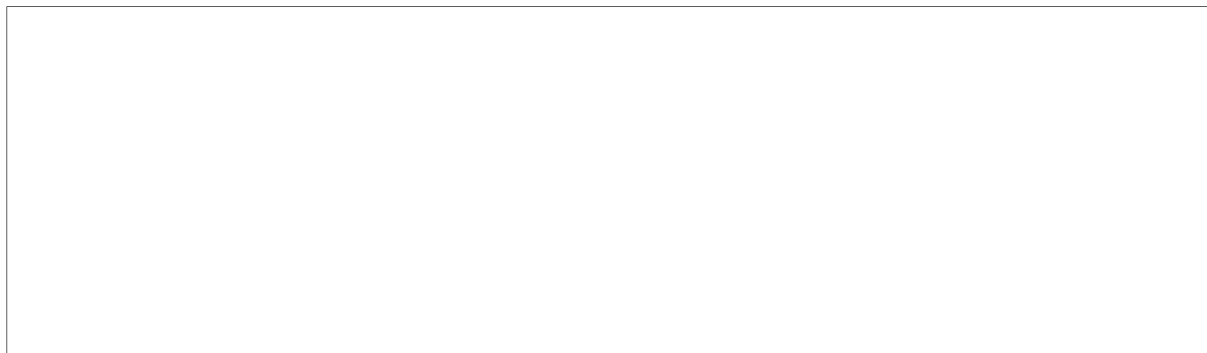
***(U) STATUS OF SIGNIFICANT RECOMMENDED ACTIONS OUTSTANDING
FROM PREVIOUS SEMIANNUAL REPORTS***







(U) SUMMARIES OF CURRENT INSPECTIONS



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(U) INVESTIGATIONS

(U) INVESTIGATIONS STAFF OVERVIEW

(U/ [] The Investigations (INV) Staff investigates possible violations of statutes, regulations, policies, and procedures, as well as allegations of waste, fraud, mismanagement, abuse of authority, and substantial dangers to public health and safety related to Agency programs and operations. The INV Staff also oversees the Agency's grievance system and conducts proactive initiatives aimed at detecting and preventing fraud, waste, and abuse.

[] More than half of the Staff's personnel, with assistance from the Audit and Inspection Staffs, are devoted to a number of resource-intensive investigations concerning detention and interrogation activities in Iraq and Afghanistan. The Staff additionally has a number of ongoing investigations into a diverse range of issues, including allegations of an ethics violation by a senior officer, misuse of a government intelligence collection system, misappropriation of funds, possession of child pornography, and copyright infringement. Judicial proceedings are under way in several cases.

(U/ [] An investigation of a violation of the Procurement Integrity Act resulted in a civil settlement of \$80,000. In two Federal Employees' Compensation Act fraud cases, former employees entered felony pleas and restitution has been sought. Four time and attendance fraud investigations resulted in restitutions being ordered ranging from \$7,441 to \$20,000 each.

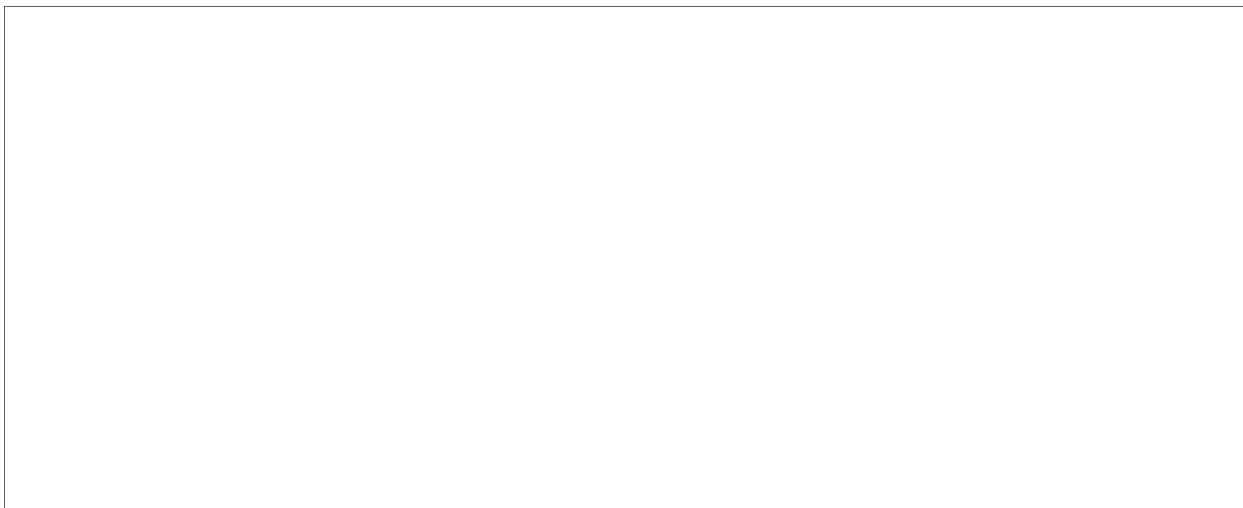
(U/ [] The Staff continues to oversee the Agency-wide grievance system, which is designed to resolve grievances at the lowest possible level in the organization. In addition to the INV's annual one-day grievance counselor workshop for component and directorate grievance officers, the INV Staff initiated mandatory

training for all new grievance officers, which is conducted throughout the year. Additionally, the Staff hosts quarterly meetings of grievance officers to discuss issues of common interest.

(U/ [] The Staff is involved in several internal improvement initiatives. As part of the Inspector General's officewide initiative on information technology (IT), the INV Staff established a team composed of different professional perspectives (investigative, administrative, and management) that documented the complex business processes currently used by the Staff, identified IT requirements for future planning, and examined specific technologies to improve the efficiency of investigative efforts. The Staff also initiated an internal review of its file management and enlisted the Audit Staff to conduct an audit of its evidence handling procedures.

(U/ [] The Staff continued its formal mentoring program for new investigators and devoted its mandatory, semiannual in-service training session to critical reasoning skills. Ongoing outreach efforts—in the form of employee bulletins, guest lectures at CIA and Intelligence Community courses, and liaison with other Federal Assistant Inspectors General for Investigations—continue to reap positive benefits.

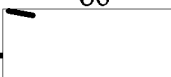
(U) SIGNIFICANT COMPLETED INVESTIGATIONS



***(U) STATUS OF SIGNIFICANT RECOMMENDED ACTIONS OUTSTANDING
FROM PREVIOUS SEMIANNUAL REPORTS***

(U) SUMMARIES OF SELECTED CURRENT INVESTIGATIONS





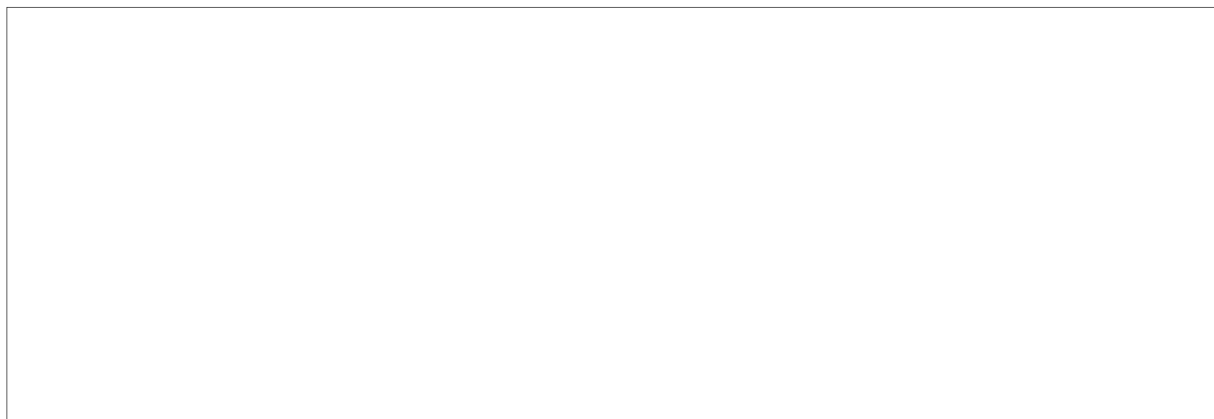


(U) SPECIAL REVIEWS

(U/) Special reviews are undertaken by ad hoc teams under the leadership of a senior OIG officer to address issues of special concern identified by the Congress, senior CIA leaders, or the Inspector General.

(U) STATUS OF SIGNIFICANT RECOMMENDED ACTIONS OUTSTANDING FROM PREVIOUS SEMIANNUAL REPORTS

(U) SUMMARIES OF CURRENT SPECIAL REVIEWS



(U) STATISTICAL OVERVIEW

(U) Audit Staff

(U/) During the period 1 July to 31 December 2004, the Audit Staff issued 18 reports and made 90 recommendations to improve covert action program effectiveness, accounting and financial management, and general management.

(U) The Audit Staff had 16 audits and reviews ongoing at the end of the reporting period.

(U) Inspection Staff

() During the last six months of 2004, the Inspection Staff completed five inspections—the DO's Organization to Manage Its Financial Resources; the DCI Center for Weapons Intelligence, Nonproliferation, and Arms Control; the Information Services Infrastructure (CIO); Management and Work-Related Issues in the DO's Counterproliferation Division; and the DCI Operations Center—and a follow-on survey of the Foreign Broadcast Information Service. The Staff also had six ongoing inspections at the end of the reporting period: Office of Security, Office of Public Affairs, DCI Crime and Narcotics Center, Latin America Division, Directorate of Science and Technology's Technical Support to DO Operations, and Retention in the Agency. In addition, the Staff closed four inspections during the period: Promotion Into and Within the Senior Intelligence Service (SIS) (June 2002); Information Operations Center, DO (June 2003); Central Eurasia (CE) Division, DO (February 2004); and the Office of Policy Support, DI (June 2004).

(U) Investigations Staff

(U// [REDACTED]) The Investigations Staff completed work on 103 matters of various types during this reporting period. Of this number, 12 cases were of sufficient significance to be the subject of a final report—seven Reports of Investigation and five Disposition Memoranda.

(U// [REDACTED]) During this period, the IG formally referred 10 matters to the Department of Justice based upon a reasonable belief that violations of Federal criminal law may have been committed.

(U// [REDACTED]) Recoveries on behalf of the US Government during this reporting period, as a result of the Investigations Staff's efforts, totaled \$194,800.

(U// [REDACTED]) As of 31 December 2004, 113 matters were in various stages of review by the Investigations Staff.

(U) COMPLETED AUDITS
1 July – 31 December 2004

(U) Financial Management

(U) The Agency's Administration of Transactions With Other
Government Agencies

(U) Independent Audit of the FY 2004 Financial Statements of
the CIA

(U) Operations

☐ Covert Action Activities Authorized Under Presidential
Findings Signed in 2002 and 2003

☐ A Covert Technical Operation

(U) Information Technology

(U/) StarBase

(U) Procurement

(U) Service Contracting

(U/) Administration of Headquarters Area Vehicles

(U) CURRENT AUDITS
31 December 2004

(U) Financial Management

(U) Adequacy of Documentation Supporting Financial Transactions

(U) Unliquidated Obligations

(U) Operations

☐ Covert Action Activities Authorized Under Presidential Finding Signed December 2002

☐ Covert Action Activities Authorized Under Presidential Finding Signed October 2000

☐ Covert Action Infrastructure—Special Operations Aviation

(U) CIA Support to Federal Agencies Responsible for Issuing Licenses Related to Chemical and Biological Commodities

(U) Review of the National HUMINT Requirements Tasking Center

(U) Information Technology

(U) Agency Management of Laptop Computers

(U) Independent Evaluation of the Central Intelligence Agency Information Security Program and Practices Required by the Federal Information Security Management Act (2004)

(U) Security of National Security Information Systems Operated by Agency Contractors

(U) Procurement

(U) Firearms Training

Facilities Support Project Management at

(U) Integration of Solutions Developed Through In-Q-Tel

(U) COMPLETED INSPECTIONS

1 July – 31 December 2004

- (U) The DO's Organization to Manage Its Financial Resources
- (U) The DCI Center for Weapons Intelligence, Nonproliferation, and Arms Control, DI
- (U) Information Services Infrastructure, CIO
- (U) Management and Work-Related Issues in the DO's Counterproliferation Division
- (U) The DCI Operations Center

(U) CURRENT INSPECTIONS

31 December 2004

- (U) Office of Security
- (U) Office of Public Affairs, DCI
- (U) Crime and Narcotics Center, DCI
- (U) Latin America Division, DO
- (U) The Directorate of Science and Technology's Technical Support to DO Operations
- (U) Retention in the Agency

(U) COMPLETED INVESTIGATIONS

1 July – 31 December 2004

(U) Alleged Conflict of Interest

☐ Alleged Misuse of Operational Revolving Funds and Illegal Shipment of a Personal Firearm

(U) Alleged False Claims and False Statements

☐ Incident Associated With Agency Programs in Afghanistan

(U) Alleged Procurement Fraud

(U) Alleged Regulatory Violations

(U) Management Misconduct

* (U) These investigations resulted in a Disposition Memorandum rather than a Report of Investigation.

(U) CURRENT INVESTIGATIONS**As of 31 December 2004**

Category	Number of cases
Grievances	
Assignment	2
Compensation	1
Promotion	1
Other – Grievance	3
Board Appeals	2
General Investigations	
Criminal and Prohibited Acts	
Conflicts of Interest	6
Embezzlement	5
False Claims – Other	10
False Claims/Statements/Vouchers	6
False Claims - Time & Attendance	16
False Claims – Visa/Passports	2
Megaprojects	3
Misconduct – Employee	5
Misconduct – Management	2
Obstruction of Justice	1
Procurement Fraud	8
Regulatory Violations	1
Retaliation	1
Theft/Misuse of Government Property	7
Waste	4
Other - Administrative/Criminal	21
Unsubstantiated Allegations	6
Total Ongoing Cases	113

(U) CURRENT SPECIAL REVIEWS

31 December 2004

(U) Special Review of Accountability Issues Identified
in the Findings and Recommendations of the Joint Inquiry Report on
9/11.